

Idaho Medicaid Expansion Population and Cost Forecast Including Direct Primary Care Model

August 14, 2014

Presented by: Justin Birrell, FSA, MAAA
Ben Diederich, FSA, MAAA

Outline

- I. Review Option 1 – State/Local Funds
- II. Option 3 Cost Review and Breakdown
 - Medicaid Managed Care Expansion
 - 138% Federal Poverty Level with Full Benefits
 - Managed Care Service Category Breakdown
 - Large Group Commercial Mix of Services
- III. Option 4 is similar in scope and concept as Option 3. For simplicity it is not covered in this presentation.
- IV. Option 5 Cost & Charity/Deferred Care
 - Direct Primary Care Cost Development including remaining CAT/Indigent funds for Medical Procedures Fund
- V. Comparison of Options' Costs

Review Option 1 with State & Local Funds

Projected Mandatory Expansion Costs State and Local Dollars Only (Values in Millions)							Cumulative
Option # 1: No Optional Expansion	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2025	Total
Mandatory Expansion Claim Costs:							
Currently Eligible, Not Enrolled	\$17.8	\$18.3	\$18.7	\$19.2		\$22.3	\$199.6
Mandatory Expansion	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Foster Care	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.4
Physician	\$5.9	\$6.0	\$6.2	\$6.3		\$7.4	\$66.0
CHIP	(\$4.2)	(\$5.8)	(\$5.9)	(\$6.1)		\$0.0	(\$23.5)
Administration (DHW) Costs:	\$1.3	\$1.3	\$1.4	\$1.4		\$1.6	\$14.4
Total Mandatory Expansion Costs	\$20.8	\$19.9	\$20.4	\$20.9		\$31.3	\$257.0
<u>State & Local Programs</u>							
CAT Program (State)	\$35.6	\$37.3	\$39.1	\$40.9		\$54.2	\$443.1
Medical Indigent (County)	\$24.7	\$25.7	\$26.7	\$27.8		\$35.1	\$296.5
Medical Ind (County Admin)	\$6.1	\$6.3	\$6.6	\$6.8		\$8.0	\$71.3
Behavior Health (DHW)	\$9.7	\$9.7	\$9.7	\$9.7		\$9.7	\$96.5
Public Health (DHW)	\$0.8	\$0.8	\$0.8	\$0.8		\$0.8	\$8.0
Total State & Local Programs	\$76.8	\$79.7	\$82.8	\$86.0		\$107.8	\$915.4
Option # 1 (No Optional Expansion) with State & Local Funds:							
Total Cost	\$97.6	\$99.6	\$103.2	\$106.9		\$139.1	\$1,172.4

Review Option 3 Cost: Managed Care Rates

- Starting Medical Costs
 - State Fiscal Year 2016 Assumed Managed Care Rates

SFY 2016 PMPM Costs (Managed Care) by Age/Gender Band

Age Band	Male	Female	Composite
18 to 24	\$341.53	\$651.87	\$519.35
25 to 34	\$348.10	\$664.41	\$519.09
35 to 44	\$469.87	\$716.53	\$593.81
45 to 54	\$591.63	\$634.72	\$607.95
55 to 59	\$591.63	\$703.14	\$689.47
60 to 64	\$591.63	\$703.14	\$685.76
Adult	\$418.07	\$676.22	\$559.46

- Managed Care Capitation Rate of **\$559.46** is broken down into service categories (next slide) to show components of cost assuming a commercial large group mix of services.

Option 3 Managed Care Rates - Breakdown by Service Category

Category:	2016 PMPM	% of Total PMPM	Option 3 Annual Cost (in Millions)
Inpatient (excl. Maternity)	\$89.77	16%	\$110.8M
Maternity	\$26.99	5%	\$33.3M
Outpatient (excl. Emergency Room)	\$90.98	16%	\$112.3M
Emergency Room	\$17.84	3%	\$22.0M
Subtotal Hospital	\$225.58		\$278.5M
Subtotal Hospital (excl. Maternity)	\$198.59		\$245.2M
Professional (excl. Direct Physician)	\$103.04	18%	\$127.2M
Direct Physician	\$53.08	9%	\$65.5M
Subtotal Professional	\$156.12		\$192.7M
Pharmacy	\$85.07	15%	\$105M
Miscellaneous	\$8.77	2%	\$10.8M
Managed Care Administration	\$83.92	15%	\$103.6M
Total	\$559.46	100%	\$690.6M
Total (w/o Admin)	\$475.54		\$587.0M
Estimated Enrollment (Option 3)	102,873		

- Estimates PMPM costs by service category is based on commercial mix of service utilization, Medicaid unit costs for Option 3 and utilization management of Medicaid Managed Care.

Funding Sources for Option 5

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2025	2016 - 2025
CAT Program (State)	\$35.6	\$37.3	\$39.1	\$40.9		\$54.2	\$443.1
Medical Indigent (County)	\$24.7	\$25.7	\$26.7	\$27.8		\$35.1	\$296.5
Medical Ind (County Admin)	\$6.1	\$6.3	\$6.6	\$6.8		\$8.0	\$71.3
Behavior Health (DHW)	\$9.7	\$9.7	\$9.7	\$9.7		\$9.7	\$96.5
Public Health (DHW)	\$0.8	\$0.8	\$0.8	\$0.8		\$0.8	\$8.0
Total	\$76.8	\$79.7	\$82.8	\$86.0		\$107.8	\$915.4

- For our prior analysis (Options 3 and 4) we included State funded program costs which could be eliminated under full expansion. These included:
 - Catastrophic Health Care Cost (CAT) Program
 - County Medically Indigent Program and Administration Expense
- Our understanding is that for FY 2016 Option 5 will use CAT and Medical Indigent funds, \$49.5M of the spending to a Direct Primary Care program and \$10.8M towards the Medical Procedures Fund.

Option 5 : Development of Total Cost

Option 5 - Total Cost Breakdown	Option 3 2016 PMPM	% of Total PMPM	Annual Cost (in Millions)
Direct Physician	\$53.08	12%	\$49.5M
Medical Procedures Fund	\$11.58	3%	\$10.8M
Subtotal Funded Costs	\$64.66		\$60.3M
Charity/Deferred Costs:			
Inpatient (excl. Maternity)	\$89.77	20%	\$83.7M
Outpatient (excl. Emergency Room)	\$90.98	20%	\$84.9M
Emergency Room	\$17.84	4%	\$16.6M
Subtotal Hospital	\$198.59		\$185.2M
Professional (excl. Direct Physician)	\$103.04	23%	\$96.1M
Pharmacy	\$85.07	19%	\$79.3M
Miscellaneous	\$8.77	2%	\$8.2M
Credit for Medical Procedures Fund	(\$11.58)	-3%	(\$10.8M)
Total Charity / Deferred Costs	\$383.89		\$358.0M
Total Cost	\$448.55	100%	\$418.3M




Estimated Enrollment (Option 5)	77,719
--	---------------

- Option 5 PMPM costs exclude maternity and administrative expenses.
- Administrative expenses are not determined at this time.

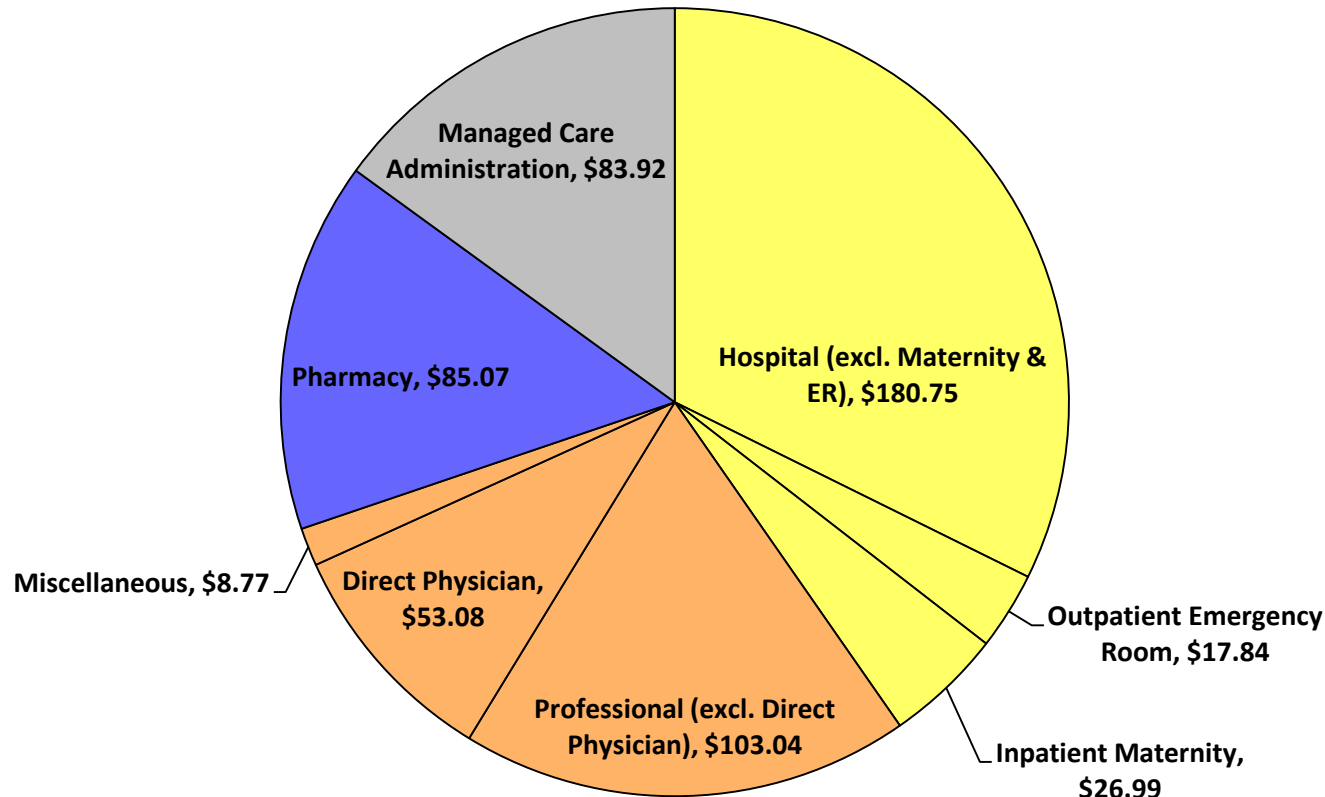
Comparison of Options 1, 3 and 5

- Aside from the mandatory expansion populations Options 1, 3 and 5 do not provide the same level of benefits, and do not cover the same populations.
 - Option 1 provides funding for incident based catastrophic care for individuals who are unable to pay for their care. Approximately 40% of applications for indigence are approved. (~5,000 recipients)
 - Option 3 provides funding for all essential health benefits for all low income adults under 138% FPL (~102,873 recipients)
 - Option 5 provides funding for Direct Primary Care and a Medical Procedures Fund for claims (\$10.8M in FY 2016) for low income adults under 100% FPL (~77,719 recipients)
- Options 1 and 5 use state and county taxpayer funds. Option 3 uses a mixture of federal and state taxpayer funds; with a minimum federal participation rate of 90% for medical services.

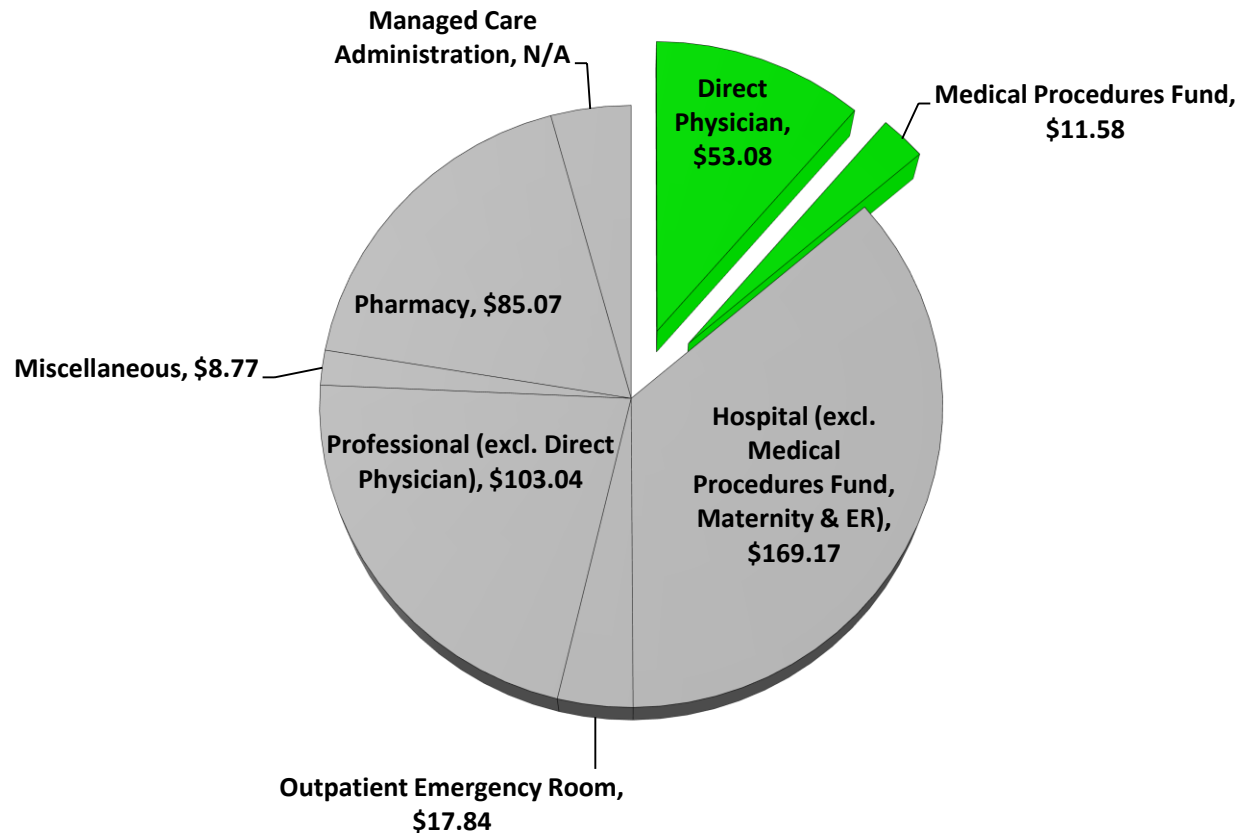
Comparison of Services offered by Options

Option 1 Status Quo (~5K)	Option 3 Managed Care (~102,873)	Option 5 Direct Primary Care (~77,719)	Legend:
Direct Physician	Direct Physician	Direct Physician	 Covered Services
Pharmacy	Pharmacy	Pharmacy	 Limited Coverage Provided
Lab/X-Ray	Lab/X-Ray	Lab/X-Ray	 Not Covered
Emergency Room	Emergency Room	Emergency Room	
Out-Patient	Out-Patient	Out-Patient	
Hospitalization	Hospitalization	Hospitalization	

Option 3 Managed Care Rate Service Breakdown - Funded Services \$559.46 PMPM



Option 5 - Total Cost Breakdown \$448.55 PMPM



Summary Comparison of State and Local Costs

Options #1, #3, #4, and #5 Summary State and Local Dollars Only (Values in Millions)

	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>.....</u>	<u>SFY 2025</u>	Cumulative <u>Total</u>
Option # 1 (No Optional Expansion) with State & Local Funds:							
Expansion Cost (Slide 3)	\$20.8	\$19.9	\$20.4	\$20.9		\$31.3	\$257.0
State & Local Programs (Slide 3)	\$76.8	\$79.7	\$82.8	\$86.0		\$107.8	\$915.4
Total	\$97.6	\$99.6	\$103.2	\$106.9		\$139.1	\$1,172.4
Option # 3: State Plan Option (Managed Care)							
Marginal Cost (Compared to Option 1) (Slide 14)	(\$64.7)	(\$49.2)	(\$29.1)	(\$23.3)		(\$4.3)	(\$183.6)
Option # 3: State Plan Option (Managed Care) (Including Mandatory Expansion)							
Total Cost	(\$43.9)	(\$29.3)	(\$8.7)	(\$2.4)		\$27.0	\$73.4
Option # 4: Private Optional Expansion Only (Excluding Mandatory Expansion)							
Marginal Cost (Compared to Option 1) (Slide 15)	(\$64.7)	(\$52.0)	(\$33.1)	(\$25.7)		\$22.0	(\$119.7)
Option # 4: Private Optional Expansion (Including Mandatory Expansion)							
Total Cost	(\$43.9)	(\$32.1)	(\$12.7)	(\$4.8)		\$53.2	\$137.3
Option # 5: Direct PCP + Medical Procedures Fund							
Marginal Cost (Compared to Option 1)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Option 1	\$97.6	\$99.6	\$103.2	\$106.9		\$139.1	\$1,172.4
Total	\$97.6	\$99.6	\$103.2	\$106.9		\$139.1	\$1,172.4

Caveats

Limitations

This analysis is intended for the use of State of Idaho in support of the Medicaid expansion program evaluation. Any user of the data must possess a certain level of expertise in actuarial science and health care modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this presentation to third parties. Similarly, third parties are instructed that they are to place no reliance upon this analysis prepared for State of Idaho by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this report must rely upon their own experts in drawing conclusions about the individual insurance market rates, assumptions and trends. It is the responsibility of any insurance carrier to establish required revenue levels appropriate for their risk, management and contractual obligations for the prospective population.

This analysis has relied extensively on data provided for the State of Idaho, including population surveys, and carrier data to compute the relative risk scores of the population. Errors in data reporting may flow through the analysis, and as such would impact the results.

Actual results will vary from our projections for many reasons, including differences from assumptions regarding future enrollment within the Idaho Medicaid Program, the relative morbidity of the uninsured population, and the mix of various risk stratifications in the 2014 Individual Insurance Market, as well as other random and non-random factors. Experience should continue to be monitored on a regular basis, with modifications to reinsurance rates or to the program as necessary.

Actuarial Statement of Qualification

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. We are members of the American Academy of Actuaries, and meet the qualification standards for performing this analysis.

This presentation includes preliminary draft findings. A complete written report will be provided to the State of Idaho Department of Health and Welfare for further Medicaid expansion program evaluation.

Note: Historically, the reports prepared for the Department by Milliman on the “Financial Impact of the Patient Protection and Affordable Care Act (PPACA) on the Idaho Medicaid Budget” have focused on the fiscal impact on state and local taxpayer funds. However, it is important for the reader to understand there is a significant component of unfunded costs for Options #1 & #5.

Revised Option 3 Projection (6/18/2014)

Projected Additional Optional Expansion Costs State and Local Dollars Only (Values in Millions)

Option # 3: State Plan Option (Managed Care)	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2025	Cumulative Total
<u>Additional Expanding Spending:</u>							
Optional Expansion Claim Costs:	\$0.0	\$18.2	\$40.9	\$49.6		\$88.5	\$596.4
Administration (DHW) Costs:	\$12.1	\$12.4	\$12.7	\$13.0		\$15.1	\$135.5
Total Additional Expansion Costs	\$12.1	\$30.5	\$53.6	\$62.6		\$103.6	\$731.8
<u>Projected Offsets and Savings</u>							
CAT Program (State)	(\$35.6)	(\$37.3)	(\$39.1)	(\$40.9)		(\$54.2)	(\$443.1)
Medical Indigent (County)	(\$24.7)	(\$25.7)	(\$26.7)	(\$27.8)		(\$35.1)	(\$296.5)
Medical Ind (County Admin)	(\$6.1)	(\$6.3)	(\$6.6)	(\$6.8)		(\$8.0)	(\$71.3)
Behavior Health (DHW)	(\$9.7)	(\$9.7)	(\$9.7)	(\$9.7)		(\$9.7)	(\$96.5)
Public Health (DHW)	(\$0.8)	(\$0.8)	(\$0.8)	(\$0.8)		(\$0.8)	(\$8.0)
Total Local and State Offset:	(\$76.8)	(\$79.7)	(\$82.8)	(\$86.0)		(\$107.8)	(\$915.4)
Option # 3: State Plan Option (Managed Care) (Excluding Mandatory Expansion)							
Marginal Cost	(\$64.7)	(\$49.2)	(\$29.1)	(\$23.3)		(\$4.3)	(\$183.6)

**DHW indicated an administrative load of 3.5% of medical costs is a reasonable assumption. This figure is consistent with our experience in other states. Current FMAP rate assumption is 50%. However, CMS has issued communications that costs associated with the expansion population may receive enhanced FMAP rate of 75%.*

Revised Option 4 Projection (6/18/2014)

Projected Additional Optional Expansion Costs State and Local Dollars Only (Values in Millions)

	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2025</u>	<u>Cumulative Total</u>
<u>Option # 4: Private Option</u>							
<u>Additional Expanding Spending:</u>							
Optional Expansion Claim Costs:	\$0.0	\$15.3	\$36.9	\$47.2		\$114.7	\$660.2
Administration (DHW) Costs:	\$12.1	\$12.4	\$12.7	\$13.0		\$15.1	\$135.5
Total Additional Expansion Costs	\$12.1	\$27.7	\$49.6	\$60.2		\$129.8	\$795.7
<u>Projected Offsets and Savings</u>							
CAT Program (State)	(\$35.6)	(\$37.3)	(\$39.1)	(\$40.9)		(\$54.2)	(\$443.1)
Medical Indigent (County)	(\$24.7)	(\$25.7)	(\$26.7)	(\$27.8)		(\$35.1)	(\$296.5)
Medical Ind (County Admin)	(\$6.1)	(\$6.3)	(\$6.6)	(\$6.8)		(\$8.0)	(\$71.3)
Behavior Health (DHW)	(\$9.7)	(\$9.7)	(\$9.7)	(\$9.7)		(\$9.7)	(\$96.5)
Public Health (DHW)	(\$0.8)	(\$0.8)	(\$0.8)	(\$0.8)		(\$0.8)	(\$8.0)
Total Local and State Offset:	(\$76.8)	(\$79.7)	(\$82.8)	(\$86.0)		(\$107.8)	(\$915.4)
<u>Option # 4: Private Option (Excluding Mandatory Expansion)</u>							
Marginal Cost	(\$64.7)	(\$52.0)	(\$33.1)	(\$25.7)		\$22.0	(\$119.7)

**DHW indicated an administrative load of 3.5% of medical costs is a reasonable assumption. This figure is consistent with our experience in other states. Current FMAP rate assumption is 50%. However, CMS has issued communications that costs associated with the expansion population may receive enhanced FMAP rate of 75%.*

Figures have been updated since the 6/18 presentation